

Message Text

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DRAFTED BY AF/E:RSBARRETT:CJ

APPROVED BY AF/E:RSBARRETT

EB:TBRODERICK

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FM SECSTATE WASHDC

TO AMEMBASSY ADDIS ABABA PRIORITY

C O N F I D E N T I A L STATE 201997

E.O. 11652: GDS

TAGS: EINV ET

SUBJECT: EXPROPRIATED US PROPERTY IN ETHIOPIA: CROWN CORK

REF: ADDIS ABABA 7654

1. JOHN CONNELLY, CHAIRMAN OF CROWN CORK AND SEAL, CALLED ON ASSISTANT SECRETARY GREENWALD AUGUST 12 TO DISCUSS STATUS ETHIOPIAN CORK AND CAN. HE SAID THAT COMPANY HAD BEEN OPERATING AS USUAL SINCE NATIONALIZATION, THAT THE ETHIOPIAN MEMBER OF BOARD IMPOSED ON COMPANY BY PMG HAD NOT TRIED TO EXERCISE ANY OF HIS NOMINAL AUTHORITY, AND THAT THERE HAD BEEN NO DISCUSSION ON PERCENTAGE OF COMPANY TO BE TAKEN OVER BY PMG. HE SAID HE HAD RECENTLY HEARD, HOWEVER, THAT PMG MIGHT SOON MOVE TO TAKE OVER ACTUAL CONTROL AND HAD BEEN INFORMED THAT USG MIGHT BE ABLE TO USE ITS INFLUENCE WITH PMG IN AN EFFORT TO PREVENT THIS OCCURRENCE.

2. CONNELLY SAID THAT CROWN CORK PREPARED TO GO ON OPERATING THE COMPANY UNDER THE EXISTING CONDITIONS. IT IS NOT INTERESTED IN REPATRIATING PROFITS AT THIS TIME, AS IT
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PREFERS TO REINVEST IN COUNTRY OF OPERATION. BUT IT WOULD

LIKE TO USE CERTAIN OF ITS FUNDS IN ETHIOPIA TO REPAY LOAN
MADE BY AMERICAN COMPANY TO ETHIOPIAN SUBSIDIARY. HE IS
GOING TO SET FORTH CROWN'S POSITION IN A LETTER TO BE SENT

TO AF/E ACTING DIRECTOR BARRETT.

3. COMMENT: CONNELLY OBVIOUSLY BELIEVES THERE IS A
CHANCE WITH USG SUPPORT OF CONTINUING TO OPERATE IN
ETHIOPIA AND PREVENT FULL IMPLEMENTATION OF NATIONALIZA-
TION DECISION. HE WOULD LIKE USG TO MAKE THIS POINT TO
PMG RATHER THAN INCLUDE CROWN AS ONE OF COMPANIES FOR
WHICH WE PRESSING FOR COMPENSATION. HE SAID CROWN'S
OPERATIONS IN OVER 80 COUNTRIES HAVE TAUGHT IT THAT IT IS
BETTER TO RIDE OUT THIS TYPE OF NATIONALIZATION IF POSSI-
BLE RATHER THAN SETTLE FOR COMPENSATION. SHOULD GOVERN-
MENT OR ITS POLICIES CHANGE FOR THE BETTER IT IS MUCH
CHEAPER TO BE STILL IN PLACE RATHER THAN HAVE TO COME
BACK IN AFTER HAVING LEFT.

4. FYI ONLY: CONNELLY DID SAY THAT IF PMG MOVED TO
EXERCISE FULL CONTROL OR CLAIM A MAJORITY SHARE OF PROFITS
UNDER NATIONALIZATION DECREE, CROWN WOULD PREFER TO LEAVE
AND SEEK COMPENSATION. MINORITY INTEREST FOR PMG WOULD,
HOWEVER, BE ACCEPTABLE.

5. ACTION REQUESTED: UPON RECEIPT OF CONNELLY'S LETTER
WE WILL SEND YOU INSTRUCTIONS TO APPROACH PMG IN ORDER TO
MAKE CROWN'S DESIRE KNOWN AND TO DIFFERENTIATE IT FROM
OTHER AFFECTED AMERICAN COMPANIES WHOSE INTERESTS HAVE
ALREADY MOVED TO THE COMPENSATION ISSUE. YOU MAY, HOW-
EVER, USE INFORMATION IN FIRST TWO PARAGRAPHS IN THE
MEANWHILE IF ANY INQUIRIES ARE MADE ON SUBJECT. ROBINSON

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